

# Union Calendar No. 133

110TH CONGRESS  
1ST SESSION

# H. R. 1852

[Report No. 110–217]

To modernize and update the National Housing Act and enable the Federal Housing Administration to use risk-based pricing to more effectively reach underserved borrowers, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 29, 2007

Ms. WATERS (for herself and Mr. FRANK of Massachusetts) introduced the following bill; which was referred to the Committee on Financial Services

JUNE 28, 2007

Additional sponsors: Mr. SIRES, Mr. SCHIFF, Mr. JEFFERSON, Mr. RUSH, Mrs. CHRISTENSEN, Mr. CUMMINGS, Mr. WELCH of Vermont, Ms. ESHOO, Mr. MARKEY, Mr. MORAN of Virginia, Mr. ETHERIDGE, and Mr. WYNN

JUNE 28, 2007

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

[For text of introduced bill, see copy of bill as introduced on March 29, 2007]

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## A BILL

To modernize and update the National Housing Act and enable the Federal Housing Administration to use risk-based pricing to more effectively reach underserved borrowers, and for other purposes.

1        *Be it enacted by the Senate and House of Representa-*  
 2        *tives of the United States of America in Congress assembled,*

3        **SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.**

4        (a) *SHORT TITLE.*—*This Act may be cited as the “Ex-*  
 5        *panding American Homeownership Act of 2007”.*

6        (b) *TABLE OF CONTENTS.*—*The table of contents for*  
 7        *this Act is as follows:*

*Sec. 1. Short title and table of contents.*

*Sec. 2. Findings and purposes.*

*Sec. 3. Maximum principal loan obligation.*

*Sec. 4. Extension of mortgage term.*

*Sec. 5. Downpayment simplification.*

*Sec. 6. Mortgage insurance premiums for zero- and lower-downpayment bor-*  
*rowers.*

*Sec. 7. Mortgage insurance premiums for standard and higher-risk borrowers.*

*Sec. 8. Risk-based mortgage insurance premiums.*

*Sec. 9. Payment incentives.*

*Sec. 10. Borrower protections for higher risk mortgages.*

*Sec. 11. Annual reports on new programs and loss mitigation.*

*Sec. 12. Insurance for single family homes with licensed child care facilities.*

*Sec. 13. Rehabilitation loans.*

*Sec. 14. Discretionary action.*

*Sec. 15. Insurance of condominiums and manufactured housing.*

*Sec. 16. Mutual Mortgage Insurance Fund.*

*Sec. 17. Hawaiian home lands and Indian reservations.*

*Sec. 18. Conforming and technical amendments.*

*Sec. 19. Home equity conversion mortgages.*

*Sec. 20. Participation of mortgage brokers and correspondent lenders.*

*Sec. 21. Conforming loan limit in disaster areas.*

*Sec. 22. Failure to pay amounts from escrow accounts for single family mort-*  
*gages.*

*Sec. 23. Acceptable identification for FHA mortgagors.*

*Sec. 24. Pilot program for automated process for borrowers without sufficient*  
*credit history.*

*Sec. 25. Sense of Congress regarding technology for financial systems.*

*Sec. 26. Multifamily housing mortgage limits in high cost areas.*

*Sec. 27. Valuation of multifamily properties in noncompetitive sales by HUD to*  
*States and localities.*

*Sec. 28. Clarification of disposition of certain properties.*

*Sec. 29. Use of FHA savings for costs of mortgage insurance, housing counseling,*  
*FHA technologies, procedures, and processes, and for affordable*  
*housing grant fund, and study.*

*Sec. 30. Limitation on mortgage insurance premium increases.*

*Sec. 31. Savings provision.*

*Sec. 32. Implementation.*

1 **SEC. 2. FINDINGS AND PURPOSES.**

2 (a) *FINDINGS.*—*The Congress finds that—*

3 (1) *one of the primary missions of the Federal*  
4 *Housing Administration (FHA) single family mort-*  
5 *gage insurance program is to reach borrowers who are*  
6 *underserved, or not served, by the existing conven-*  
7 *tional mortgage marketplace;*

8 (2) *the FHA program has a long history of inno-*  
9 *vation, which includes pioneering the 30-year self-am-*  
10 *ortizing mortgage and a safe-to-seniors reverse mort-*  
11 *gage product, both of which were once thought too*  
12 *risky to private lenders;*

13 (3) *the FHA single family mortgage insurance*  
14 *program traditionally has been a major provider of*  
15 *mortgage insurance for home purchases;*

16 (4) *the FHA mortgage insurance premium struc-*  
17 *ture, as well as FHA's product offerings, should be re-*  
18 *vised to reflect FHA's enhanced ability to determine*  
19 *risk at the loan level and to allow FHA to better re-*  
20 *spond to changes in the mortgage market;*

21 (5) *during past recessions, including the oil-*  
22 *patch downturns in the mid-1980s, FHA remained a*  
23 *viable credit enhancer and was therefore instrumental*  
24 *in preventing a more catastrophic collapse in housing*  
25 *markets and a greater loss of homeowner equity; and*

1           (6) as housing price appreciation slows and in-  
 2           terest rates rise, many homeowners and prospective  
 3           homebuyers will need the less-expensive, safer financ-  
 4           ing alternative that *FHA* mortgage insurance pro-  
 5           vides.

6           (b) *PURPOSES.*—*The purposes of this Act are—*

7           (1) *to provide flexibility to FHA to allow for the*  
 8           *insurance of housing loans for low- and moderate-in-*  
 9           *come homebuyers during all economic cycles in the*  
 10          *mortgage market;*

11          (2) *to modernize the FHA single family mort-*  
 12          *gage insurance program by making it more reflective*  
 13          *of enhancements to loan-level risk assessments and*  
 14          *changes to the mortgage market; and*

15          (3) *to adjust the loan limits for the single family*  
 16          *mortgage insurance program to reflect rising house*  
 17          *prices and the increased costs associated with new*  
 18          *construction.*

19 **SEC. 3. MAXIMUM PRINCIPAL LOAN OBLIGATION.**

20          *Section 203(b)(2) of the National Housing Act (12*  
 21          *U.S.C. 1709(b)(2)) is amended by striking subparagraph*  
 22          *(A) and inserting the following new subparagraph:*

23                       “(A) not to exceed the lesser of—

24                               “(i) in the case of a 1-family residence,  
 25                               the median 1-family house price in the

1            *area, as determined by the Secretary; and*  
 2            *in the case of a 2-, 3-, or 4-family residence,*  
 3            *the percentage of such median price that*  
 4            *bears the same ratio to such median price*  
 5            *as the dollar amount limitation in effect*  
 6            *under section 305(a)(2) of the Federal*  
 7            *Home Loan Mortgage Corporation Act (12*  
 8            *U.S.C. 1454(a)(2)) for a 2-, 3-, or 4-family*  
 9            *residence, respectively, bears to the dollar*  
 10           *amount limitation in effect under such sec-*  
 11           *tion for a 1-family residence; or*

12           *“(ii) the dollar amount limitation de-*  
 13           *termined under such section 305(a)(2) for a*  
 14           *residence of the applicable size;*

15           *except that the dollar amount limitation in effect*  
 16           *for any area under this subparagraph may not*  
 17           *be less than the greater of (I) the dollar amount*  
 18           *limitation in effect under this section for the*  
 19           *area on October 21, 1998, or (II) 65 percent of*  
 20           *the dollar limitation determined under such sec-*  
 21           *tion 305(a)(2) for a residence of the applicable*  
 22           *size; and”.*

23 **SEC. 4. EXTENSION OF MORTGAGE TERM.**

24           *Paragraph (3) of section 203(b) of the National Hous-*  
 25           *ing Act (12 U.S.C. 1709(b)(3)) is amended—*

1           (1) by striking “thirty-five years” and inserting  
2           “forty years”; and

3           (2) by striking “(or thirty years if such mortgage  
4           is not approved for insurance prior to construction)”.

5 **SEC. 5. DOWNPAYMENT SIMPLIFICATION.**

6           Section 203(b) of the National Housing Act (12 U.S.C.  
7           1709(b)) is amended—

8           (1) in paragraph (2)—

9                   (A) by striking subparagraph (B) and in-  
10           serting the following new subparagraph:

11                   “(B) not to exceed an amount equal to the  
12           sum of—

13                           “(i) the amount of the mortgage pre-  
14                           mium paid at the time the mortgage is in-  
15                           sured; and

16                           “(ii)(I) except as provided in subclause  
17                           (II), 97.75 percent of the appraised value of  
18                           the property; or

19                           “(II) in the case only of a mortgage de-  
20                           scribed in subsection (c)(3), the appraised  
21                           value of the property, plus any initial serv-  
22                           ice charges, appraisal, inspection, and other  
23                           fees in connection with the mortgage as ap-  
24                           proved by the Secretary.”;

1           (B) in the matter after and below subpara-  
 2           graph (B), by striking the second sentence (relat-  
 3           ing to a definition of “average closing cost”) and  
 4           all that follows through “title 38, United States  
 5           Code.”; and

6           (C) by striking the last undesignated para-  
 7           graph (relating to counseling with respect to the  
 8           responsibilities and financial management in-  
 9           volved in homeownership); and

10          (2) in paragraph (9), by striking the paragraph  
 11          designation and all that follows through “Provided  
 12          further, That for” and inserting the following:

13               “(9) Except in the case of a mortgage described  
 14               in subsection (c)(3), be executed by a mortgagor who  
 15               shall have paid on account of the property, in cash  
 16               or its equivalent, at least 3 percent of the Secretary’s  
 17               estimate of the cost of acquisition (excluding the mort-  
 18               gage insurance premium paid at the time the mort-  
 19               gage is insured). For”.

20   **SEC. 6. MORTGAGE INSURANCE PREMIUMS FOR ZERO- AND**  
 21               **LOWER-DOWNPAYMENT BORROWERS.**

22          Section 203(c) of the National Housing Act (12 U.S.C.  
 23   1709(c) is amended by adding at the end the following new  
 24   paragraph:

1       “(3) ZERO- AND LOWER-DOWNPAYMENT BOR-  
2 ROWERS.—

3               “(A) APPLICABILITY.—*This paragraph shall*  
4 *apply to any mortgage that—*

5                       “(i) *is secured by a 1- to 4-family dwelling;*

6                       “(ii)(I) *is an obligation of the Mutual Mort-*  
7 *gage Insurance Fund or of the General Insurance*  
8 *Fund pursuant to subsection (v) of this section;*  
9 *or*

10                      “(II) *is insured under subsection (k) of this*  
11 *section or section 234(c);*

12                      “(iii) *is executed by a mortgagor who is a*  
13 *first-time homebuyer; and*

14                      “(iv)(I) *involves a principal obligation that*  
15 *does not comply with subclause (I) of subsection*  
16 *(b)(2)(B)(ii) (relating to loan-to-value ratio); or*

17                      “(II) *is executed by a mortgagor who has*  
18 *not paid on account of the property, in cash or*  
19 *its equivalent, at least 3 percent of the Sec-*  
20 *retary’s estimate of the cost of acquisition (ex-*  
21 *cluding the mortgage insurance premium paid*  
22 *at the time the mortgage is insured).*

23               “(B) UP-FRONT PREMIUMS.—*The amount of any*  
24 *single premium payment collected at the time of in-*  
25 *surance may not exceed 3.0 percent of the amount of*



1        *the original insured principal obligation of the mort-*  
 2        *gage.*

3                “(C) *ANNUAL PREMIUMS.*—*Except as provided*  
 4        *in subparagraph (D), the amount of any annual pre-*  
 5        *mium payment collected may not exceed 0.75 percent*  
 6        *of the remaining insured principal obligation of the*  
 7        *mortgage.*

8                “(D) *ANNUAL REDETERMINATION OF PREMIUM*  
 9        *RATE.*—*The Secretary shall redetermine the rates of*  
 10        *premiums not less than once every 12 months.”.*

11    **SEC. 7. MORTGAGE INSURANCE PREMIUMS FOR STANDARD**  
 12                **AND HIGHER-RISK BORROWERS.**

13        *Paragraph (2) of section 203(c) of the National Hous-*  
 14        *ing Act (12 U.S.C. 1709(c)(2)) is amended—*

15                *(1) by striking the matter that precedes subpara-*  
 16        *graph (A) and inserting the following:*

17                “(2) *STANDARD-RISK MORTGAGES.*—*In the case of*  
 18        *any mortgage that is secured by a 1- to 4-family dwelling,*  
 19        *is an obligation of the Mutual Mortgage Insurance Fund*  
 20        *or of the General Insurance Fund pursuant to subsection*  
 21        *(v) of this section or is insured under subsection (k) of this*  
 22        *section or section 234(c), for which the mortgagor has paid*  
 23        *on account of the property, in cash or its equivalent, at*  
 24        *least 3 percent of the Secretary’s estimate of the cost of ac-*  
 25        *quisition (excluding the mortgage insurance premium paid*

1 *at the time the mortgage is insured), and that involves a*  
 2 *principal obligation that complies with subclause (I) of sub-*  
 3 *section (b)(2)(B)(ii), the following requirements shall*  
 4 *apply.”; and*

5 *(2) by adding at the end the following new sub-*  
 6 *paragraph:*

7 *“(C) HIGHER-RISK BORROWERS.—The Secretary*  
 8 *shall establish underwriting standards that provide*  
 9 *for insurance under this section of mortgages de-*  
 10 *scribed in the matter in this paragraph preceding*  
 11 *subparagraph (A) for which the mortgagor has a cred-*  
 12 *it score equivalent to a FICO score of less than 560,*  
 13 *and may insure, and make commitments to insure,*  
 14 *such mortgages. Such underwriting standards shall*  
 15 *include establishing and collecting premium pay-*  
 16 *ments that comply with the requirements of this para-*  
 17 *graph, except that notwithstanding subparagraph (A),*  
 18 *the single premium payment collected at the time of*  
 19 *insurance may be established in an amount that does*  
 20 *not exceed 3.0 percent of the amount of the original*  
 21 *insured principal obligation of the mortgage.”.*

22 **SEC. 8. RISK-BASED MORTGAGE INSURANCE PREMIUMS.**

23 *Section 203(c) of the National Housing Act (12 U.S.C.*  
 24 *1709(c)), as amended by the preceding provisions of this*

1 *Act, is further amended by adding at the end the following*  
2 *new paragraphs:*

3       “(4) *FLEXIBLE RISK-BASED PREMIUMS.—In the case*  
4 *of a mortgage referred to in paragraph (2)(C) or (3)(A)*  
5 *for which the loan application is received by the mortgagee*  
6 *on or after October 1, 2007:*

7               “(A) *IN GENERAL.—The Secretary may establish*  
8 *a mortgage insurance premium structure involving a*  
9 *single premium payment collected prior to the insur-*  
10 *ance of the mortgage or annual payments (which may*  
11 *be collected on a periodic basis), or both, subject to the*  
12 *requirements of subparagraph (B) and paragraph (5).*  
13 *Under such structure, the rate of premiums for such*  
14 *a mortgage may vary according to the credit risk as-*  
15 *sociated with the mortgage and the rate of any an-*  
16 *nuual premium for such a mortgage may vary during*  
17 *the mortgage term as long as the basis for deter-*  
18 *mining the variable rate is established before the exe-*  
19 *cution of the mortgage. The Secretary may change a*  
20 *premium structure established under this subclause*  
21 *but only to the extent that such change is not applied*  
22 *to any mortgage already executed.*

23               “(B) *ESTABLISHMENT AND ALTERATION OF PRE-*  
24 *MIUM STRUCTURE.—A premium structure shall be es-*  
25 *tablished or changed under subparagraph (A) only by*

1       *providing notice to mortgagees and to the Congress, at*  
2       *least 30 days before the premium structure is estab-*  
3       *lished or changed.*

4               “(C) *ANNUAL REPORT REGARDING PREMIUMS.—*  
5       *The Secretary shall submit a report to the Congress*  
6       *annually setting forth the rate structures and rates es-*  
7       *tablished and altered pursuant to this paragraph dur-*  
8       *ing the preceding 12-month period and describing*  
9       *how such rates were determined.*

10              “(5) *CONSIDERATIONS FOR PREMIUM STRUCTURE.—*  
11       *When establishing premiums for mortgages referred to in*  
12       *paragraph (2)(C), establishing premiums pursuant to para-*  
13       *graph (3), establishing a premium structure under para-*  
14       *graph (4), and when changing such a premium structure,*  
15       *the Secretary shall consider the following:*

16              “(A) *The effect of the proposed premiums or*  
17       *structure on the Secretary’s ability to meet the oper-*  
18       *ational goals of the Mutual Mortgage Insurance Fund*  
19       *as provided in section 202(a).*

20              “(B) *Underwriting variables.*

21              “(C) *The extent to which new pricing under the*  
22       *proposed premiums or structure has potential for ac-*  
23       *ceptance in the private market.*

1           “(D) *The administrative capability of the Sec-*  
2           *retary to administer the proposed premiums or struc-*  
3           *ture.*

4           “(E) *The effect of the proposed premiums or*  
5           *structure on the Secretary’s ability to maintain the*  
6           *availability of mortgage credit and provide stability*  
7           *to mortgage markets.*

8           “(6) *AUTHORITY TO BASE PREMIUM PRICES ON*  
9           *PRODUCT RISK.—*

10           “(A) *AUTHORITY.—In establishing premium*  
11           *rates under paragraphs (2), (3), and (4), the Sec-*  
12           *retary may provide for variations in such rates ac-*  
13           *cording to the credit risk associated with the type of*  
14           *mortgage product that is being insured under this*  
15           *title, which may include providing that premium*  
16           *rates differ between fixed-rate mortgages and adjust-*  
17           *able-rate mortgages insured pursuant to section 251,*  
18           *between mortgages insured pursuant to section 203(b)*  
19           *and mortgages for condominiums insured pursuant to*  
20           *section 234, and between such other products as the*  
21           *Secretary considers appropriate.*

22           “(B) *LIMITATION.—Subparagraph (A) may not*  
23           *be construed to authorize the Secretary to establish,*  
24           *for any mortgage product, any mortgage insurance*  
25           *premium rate that does not comply with the require-*

1        *ments and limitations under paragraphs (2) through*  
 2        *(5).”.*

3    **SEC. 9. PAYMENT INCENTIVES.**

4        *Section 203(c) of the National Housing Act (12 U.S.C.*  
 5        *1709(c)), as amended by the preceding provisions of this*  
 6        *Act, is further amended by adding at the end the following*  
 7        *new paragraph:*

8            “(7) *PAYMENT INCENTIVES.*—

9                    “(A) *AUTHORITY.*—*With respect to mortgages re-*  
 10            *ferred to in paragraph (2)(C) or (3):*

11                            “(i) *DISCRETIONARY 3-YEAR PAYMENT IN-*  
 12                    *CENTIVE.*—*The Secretary may provide, in the*  
 13                    *discretion of the Secretary, that the payment in-*  
 14                    *centive under subparagraph (B) shall apply*  
 15                    *upon the expiration of the 3-year period begin-*  
 16                    *ning upon the time of insurance of such a mort-*  
 17                    *gage.*

18                            “(ii) *MANDATORY 5-YEAR PAYMENT INCEN-*  
 19                    *TIVE.*—*The Secretary shall provide that the pay-*  
 20                    *ment incentive under subparagraph (B) applies*  
 21                    *upon the expiration of the 5-year period begin-*  
 22                    *ning upon the time of insurance of such a mort-*  
 23                    *gage.*

24                    “(B) *PAYMENT INCENTIVE.*—*In the case of any*  
 25            *mortgage to which the payment incentive under this*

1        *subparagraph applies, if, during the period referred*  
2        *to in clause (i) or (ii) of subparagraph (A), as appli-*  
3        *cable, all mortgage insurance premiums for such*  
4        *mortgage have been paid on a timely basis, upon the*  
5        *expiration of such period the Secretary shall—*

6                *“(i) reduce the amount of the annual pre-*  
7                *mium payments otherwise due thereafter under*  
8                *such mortgage—*

9                        *“(I) in the case of a mortgage referred*  
10                      *to in paragraph (3), to an amount that does*  
11                      *not exceed the amount of the maximum an-*  
12                      *nual premium allowable under paragraph*  
13                      *(2)(B); and*

14                      *“(II) in the case of a mortgage referred*  
15                      *to in paragraph (2)(C), to an amount that*  
16                      *does not exceed the amount of the annual*  
17                      *premium payable at the time of insurance*  
18                      *of the mortgage on a mortgage of the same*  
19                      *product type having the same terms, but for*  
20                      *which the mortgagor has a credit score*  
21                      *equivalent to a FICO score of 560 or more;*  
22                      *and*

23                      *“(ii) in the case only of a mortgage referred*  
24                      *to in paragraph (2)(C), refund to the mortgagor,*  
25                      *upon payment in full of the obligation of the*

1 mortgage, any amount by which the single pre-  
 2 mium payment for such mortgage collected at the  
 3 time of insurance exceeded the amount of the sin-  
 4 gle premium payment chargeable under para-  
 5 graph (2)(A) at the time of insurance for a mort-  
 6 gage of the same product type having the same  
 7 terms, but for which the mortgagor has a credit  
 8 score equivalent to a FICO score of 560 or  
 9 more.”.

10 **SEC. 10. BORROWER PROTECTIONS FOR HIGHER RISK**  
 11 **MORTGAGES.**

12 Section 203(b) of the National Housing Act (12 U.S.C.  
 13 1709(b)) is amended by adding at the end the following new  
 14 paragraph:

15 “(10) **BORROWER PROTECTIONS FOR CERTAIN**  
 16 **MORTGAGES.**—Except as otherwise specifically pro-  
 17 vided in this paragraph, in the case of any mortgage  
 18 referred to in paragraph (2)(C) or (3) of subsection  
 19 (c), the following requirements shall apply:

20 “(A) **DISCLOSURES.**—

21 “(i) **REQUIRED DISCLOSURES.**—In ad-  
 22 dition to any disclosures that are otherwise  
 23 required by law or by the Secretary for sin-  
 24 gle family mortgages, the mortgagee shall



1           *disclose to the mortgagor the following in-*  
2           *formation:*

3                     “(I) *AT APPLICATION.—At the*  
4                     *time of application for the loan in-*  
5                     *volved in the mortgage—*

6                             “(aa) *a list of counseling*  
7                             *agencies approved by the Sec-*  
8                             *retary in the area of the appli-*  
9                             *cant; and*

10                            “(bb) *if the mortgagor is not*  
11                            *provided counseling in accordance*  
12                            *with subparagraph (B), the infor-*  
13                            *mation required under subclauses*  
14                            *(I), (II), and (III) of subpara-*  
15                            *graph (B)(iii) to be provided to*  
16                            *the mortgagor.*

17                     “(II) *AT EXECUTION.—At the*  
18                     *time of entering into the mortgage—*

19                             “(aa) *the terms of the man-*  
20                             *datory 5-year payment incentive*  
21                             *required under subsection*  
22                             *(c)(7)(A)(ii); and*

23                             “(bb) *a statement that the*  
24                             *mortgagor has a right under con-*  
25                             *tract to loss mitigation.*

1                   “(III) *OTHER INFORMATION.*—

2                   *Any other additional information that*  
3                   *the Secretary determines is appro-*  
4                   *priate to ensure that the mortgagor has*  
5                   *received timely and accurate informa-*  
6                   *tion about the program under para-*  
7                   *graph (2)(C) or (3) of subsection (c), as*  
8                   *applicable.*

9                   “(ii) *PENALTIES FOR FAILURE TO PRO-*  
10                  *VIDE REQUIRED DISCLOSURES.*—*The Sec-*  
11                  *retary may establish and impose appro-*  
12                  *priate penalties for failure of a mortgagee to*  
13                  *provide any disclosure required under*  
14                  *clause (i).*

15                  “(iii) *NO PRIVATE RIGHT OF AC-*  
16                  *TION.*—*This subparagraph shall not create*  
17                  *any private right of action on behalf of the*  
18                  *mortgagor.*

19                  “(B) *COUNSELING.*—

20                  “(i) *ALLOWABLE REQUIREMENT.*—*The*  
21                  *Secretary may, in the discretion of the Sec-*  
22                  *retary, require that the mortgagor shall*  
23                  *have received counseling that complies with*  
24                  *the requirements of this subparagraph.*

1           “(ii) *TERMS OF COUNSELING.*—*Coun-*  
2           *seling under this subparagraph shall be pro-*  
3           *vided—*

4                     “(I) *prior to application for the*  
5                     *loan involved in the mortgage;*

6                     “(II) *by a third party (other than*  
7                     *the mortgagee) who is approved by the*  
8                     *Secretary, with respect to the respon-*  
9                     *sibilities and financial management*  
10                    *involved in homeownership;*

11                    “(III) *on an individual basis to*  
12                    *the mortgagor by a representative of*  
13                    *the approved third-party counseling*  
14                    *entity; and*

15                    “(IV) *in person, to the maximum*  
16                    *extent possible.*

17           “(iii) *TOPICS.*—*In the case only of a*  
18           *mortgage referred to in subsection (c)(3),*  
19           *counseling under this subparagraph shall*  
20           *include providing to, and discussing with,*  
21           *the mortgagor—*

22                    “(I) *information regarding home-*  
23                    *ownership options other than a mort-*  
24                    *gage that is subject to this paragraph,*  
25                    *other zero- or low-downpayment mort-*

1            *gage options that are or may become*  
2            *available to the mortgagor, the finan-*  
3            *cial implications of entering into a*  
4            *mortgage (including a mortgage subject*  
5            *to this paragraph), and any other in-*  
6            *formation that the Secretary may re-*  
7            *quire;*

8            *“(II) a written disclosure that sets*  
9            *forth the amount and the percentage by*  
10           *which a property with a mortgage that*  
11           *is subject to this paragraph must ap-*  
12           *preciate for the mortgagor to recover*  
13           *the principal amount of the mortgage,*  
14           *the costs financed under the mortgage,*  
15           *and the estimated costs involved in*  
16           *selling the property, if the mortgagor*  
17           *were to sell the property on each of the*  
18           *second, fifth, and tenth anniversaries of*  
19           *the mortgage; and*

20           *“(III) a written disclosure, as the*  
21           *Secretary shall require, that specifies*  
22           *the effective cost to a mortgagor of bor-*  
23           *rowing the amount by which the max-*  
24           *imum amount that could be borrowed*  
25           *under a mortgage that is referred to in*

1            *subsection (c)(3) exceeds the maximum*  
2            *amount that could be borrowed under a*  
3            *mortgage insured under this subsection*  
4            *that is not a mortgage referred to in*  
5            *such subsection, based on average clos-*  
6            *ing costs with respect to such amount,*  
7            *as determined by the Secretary; such*  
8            *cost shall be expressed as an annual*  
9            *interest rate over the first 5 years of a*  
10           *mortgage; the disclosure required under*  
11           *this subclause may be provided in con-*  
12           *junction with the notice required under*  
13           *subsection (f).*

14           “(iv) 2- AND 3-FAMILY RESIDENCES.—  
15           *In the case of a mortgage involving a 2- or*  
16           *3-family residence, counseling under this*  
17           *subparagraph shall include (in addition to*  
18           *the information required under clause (iii))*  
19           *information regarding real estate property*  
20           *management.*

21           “(C) NOTICE OF FORECLOSURE PREVENTION  
22           COUNSELING AVAILABILITY.—

23           “(i) WRITTEN AGREEMENT.—*To be eli-*  
24           *gible for insurance under this subsection,*  
25           *the mortgagee shall provide the mortgagor,*

1           *at the time of the execution of the mortgage,*  
2           *a written agreement which shall be signed*  
3           *by the mortgagor and under which the*  
4           *mortgagee shall provide notice described in*  
5           *clause (ii) to a housing counseling entity*  
6           *that has agreed to provide the notice and*  
7           *counseling required under clause (iii) and*  
8           *is approved by the Secretary.*

9           “(ii) NOTICE TO COUNSELING AGEN-  
10          *CY.—The notice described in this clause,*  
11          *with respect to a mortgage, is notice, pro-*  
12          *vided at the earliest time practicable after*  
13          *the mortgagor becomes 60 days delinquent*  
14          *with respect to any payment due under the*  
15          *mortgage, that the mortgagor is so delin-*  
16          *quent and of how to contact the mortgagor.*  
17          *Such notice may only be provided once with*  
18          *respect to each delinquency period for a*  
19          *mortgage.*

20          “(iii) NOTICE TO MORTGAGOR.—Upon  
21          *notice from a mortgagee that a mortgagor is*  
22          *60 days delinquent with respect to pay-*  
23          *ments due under the mortgage, the housing*  
24          *counseling entity shall at the earliest time*  
25          *practicable notify the mortgagor of such de-*

1            *linquency, that the entity makes available*  
2            *foreclosure prevention counseling that may*  
3            *assist the mortgagor in resolving the delin-*  
4            *quency, and of how to contact the entity to*  
5            *arrange for such counseling.*

6            “(iv) *ABILITY TO CURE.—Failure to*  
7            *provide the written agreement required*  
8            *under clause (i) may be corrected by send-*  
9            *ing such agreement to the mortgagor not*  
10           *later than the earliest time practicable after*  
11           *the mortgagor first becomes 60 days delin-*  
12           *quent with respect to payments due under*  
13           *the mortgage. Insurance provided under this*  
14           *subsection may not be terminated and pen-*  
15           *alties for such failure may not be prospec-*  
16           *tively or retroactively imposed if such fail-*  
17           *ure is corrected in accordance with this*  
18           *clause.*

19           “(v) *PENALTIES FOR FAILURE TO PRO-*  
20           *VIDE AGREEMENT.—The Secretary may es-*  
21           *tablish and impose appropriate penalties*  
22           *for failure of a mortgagee to provide the*  
23           *written agreement required under clause (i).*

24           “(vi) *LIMITATION ON LIABILITY OF*  
25           *MORTGAGEE.—A mortgagee shall not incur*

1           *any liability or penalties for any failure of*  
 2           *a housing counseling entity to provide no-*  
 3           *tice under clause (iii).*

4           “(vii) *NO PRIVATE RIGHT OF AC-*  
 5           *TION.—This subparagraph shall not create*  
 6           *any private right of action on behalf of the*  
 7           *mortgagor.*

8           “(viii) *DELINQUENCY PERIOD.—For*  
 9           *purposes of this subparagraph, the term ‘de-*  
 10           *linquency period’ means, with respect to a*  
 11           *mortgage, a period that begins upon the*  
 12           *mortgagor becoming delinquent with respect*  
 13           *to payments due under the mortgage and*  
 14           *ends upon the first subsequent occurrence of*  
 15           *such payments under the mortgage becom-*  
 16           *ing current or the property subject to the*  
 17           *mortgage being foreclosed or otherwise dis-*  
 18           *posed of.’.”.*

19   **SEC. 11. ANNUAL REPORTS ON NEW PROGRAMS AND LOSS**  
 20           **MITIGATION.**

21           *Section 540(b)(2) of the National Housing Act (12*  
 22           *U.S.C. 1735f–18(b)(2)) is amended, by adding at the end*  
 23           *the following new subparagraphs:*

24           “(C) *The rates of default and foreclosure for*  
 25           *the applicable collection period for mortgages in-*



1           sured pursuant to the programs for mortgage in-  
 2           surance under paragraphs (2)(C) and (3) of sec-  
 3           tion 203(c).

4           “(D) Actions taken by the Secretary during  
 5           the applicable collection period with respect to  
 6           loss mitigation on mortgages insured pursuant  
 7           to section 203.”.

8   **SEC. 12. INSURANCE FOR SINGLE FAMILY HOMES WITH LI-**  
 9           **CENSED CHILD CARE FACILITIES.**

10       (a) *DEFINITION OF CHILD CARE FACILITY.*—Section  
 11   201 of the National Housing Act (12 U.S.C. 1707) is  
 12   amended by adding at the end the following new subsection:

13       “(g) The term ‘child care facility’ means a facility  
 14   that—

15       “(A) has as its purpose the care of children who  
 16   are less than 12 years of age; and

17       “(B) is licensed or regulated by the State in  
 18   which it is located (or, if there is no State law pro-  
 19   viding for such licensing and regulation by the State,  
 20   by the municipality or other political subdivision in  
 21   which the facility is located).

22   Such term does not include facilities for school-age children  
 23   primarily for use during normal school hours.”.

24       (b) *INCREASE IN MAXIMUM MORTGAGE AMOUNT LIM-*  
 25   *TATION.*—Paragraph (2) of section 203(b) of the National

1 *Housing Act (12 U.S.C. 1709(b)(2)), as amended by the*  
 2 *preceding provisions of this Act, is further amended by add-*  
 3 *ing at end the following new undesignated paragraph:*

4           *“Notwithstanding any other provision of this*  
 5 *paragraph, the amount that may be insured under*  
 6 *this section may be increased by up to 25 percent if*  
 7 *such increase is necessary to account for the increased*  
 8 *cost of the residence due to an increased need of space*  
 9 *in the residence for locating and operating a child*  
 10 *care facility (as such term is defined in section 201)*  
 11 *within the residence, but only if a valid license or cer-*  
 12 *tificate of compliance with regulations described in*  
 13 *section 201(g)(2) has been issued for such facility as*  
 14 *of the date of the execution of the mortgage, and only*  
 15 *if such increase in the amount insured is propor-*  
 16 *tional to the amount of space of such residence that*  
 17 *will be used for such facility.”.*

18 **SEC. 13. REHABILITATION LOANS.**

19       *Subsection (k) of section 203 of the National Housing*  
 20 *Act (12 U.S.C. 1709(k)) is amended—*

- 21           *(1) in paragraph (1), by striking “on” and all*  
 22 *that follows through “1978”; and*  
 23           *(2) in paragraph (5)—*

1                   (A) by striking “General Insurance Fund”  
 2                   the first place it appears and inserting “Mutual  
 3                   Mortgage Insurance Fund”; and  
 4                   (B) in the second sentence, by striking the  
 5                   comma and all that follows through “General In-  
 6                   surance Fund”.

7 **SEC. 14. DISCRETIONARY ACTION.**

8                   *The National Housing Act is amended—*  
 9                   (1) in subsection (e) of section 202 (12 U.S.C.  
 10                  1708(e))—  
 11                   (A) in paragraph (3)(B), by striking “sec-  
 12                   tion 202(e) of the National Housing Act” and  
 13                   inserting “this subsection”; and  
 14                   (B) by redesignating such subsection as sub-  
 15                   section (f);  
 16                   (2) by striking paragraph (4) of section 203(s)  
 17                   (12 U.S.C. 1709(s)(4)) and inserting the following  
 18                   new paragraph:  
 19                   “(4) the Secretary of Agriculture;”; and  
 20                   (3) by transferring subsection (s) of section 203  
 21                   (as amended by paragraph (2) of this section) to sec-  
 22                   tion 202, inserting such subsection after subsection  
 23                   (d) of section 202, and redesignating such subsection  
 24                   as subsection (e).

1 **SEC. 15. INSURANCE OF CONDOMINIUMS AND MANUFAC-**  
 2 **TURED HOUSING.**

3 (a) *IN GENERAL.*—Section 234 of the National Hous-  
 4 ing Act (12 U.S.C. 1715y) is amended—

5 (1) in subsection (c)—

6 (A) in the first sentence—

7 (i) by striking “and” before “(2)”; and

8 (ii) by inserting before the period at  
 9 the end the following: “, and (3) the project  
 10 has a blanket mortgage insured by the Sec-  
 11 retary under subsection (d)”; and

12 (B) in clause (B) of the third sentence, by  
 13 striking “thirty-five years” and inserting “forty  
 14 years”; and

15 (2) in subsection (g), by striking “, except that”  
 16 and all that follows and inserting a period.

17 (b) *DEFINITION OF MORTGAGE.*—Section 201(a) of the  
 18 National Housing Act (12 U.S.C. 1707(a)) is amended—

19 (1) before “a first mortgage” insert “(A)”;

20 (2) by striking “or on a leasehold (1)” and in-  
 21 serting “(B) a first mortgage on a leasehold on real  
 22 estate (i)”;

23 (3) by striking “or (2)” and inserting “, or (ii)”;  
 24 and

25 (4) by inserting before the semicolon the fol-  
 26 lowing: “, or (C) a first mortgage given to secure the

1       unpaid purchase price of a fee interest in, or long-  
 2       term leasehold interest in, real estate consisting of a  
 3       one-family unit in a multifamily project, including a  
 4       project in which the dwelling units are attached, or  
 5       are manufactured housing units, semi-detached, or de-  
 6       tached, and an undivided interest in the common  
 7       areas and facilities which serve the project”.

8       (c) *DEFINITION OF REAL ESTATE.*—Section 201 of the  
 9       National Housing Act (12 U.S.C. 1707), as amended by the  
 10      preceding provisions of this Act, is further amended by add-  
 11      ing at the end the following new subsection:

12       “(h) The term ‘real estate’ means land and all natural  
 13      resources and structures permanently affixed to the land,  
 14      including residential buildings and stationary manufac-  
 15      tured housing. The Secretary may not require, for treatment  
 16      of any land or other property as real estate for purposes  
 17      of this title, that such land or property be treated as real  
 18      estate for purposes of State taxation.”.

19      **SEC. 16. MUTUAL MORTGAGE INSURANCE FUND.**

20       (a) *IN GENERAL.*—Subsection (a) of section 202 of the  
 21      National Housing Act (12 U.S.C. 1708(a)) is amended to  
 22      read as follows:

23       “(a) *MUTUAL MORTGAGE INSURANCE FUND.*—

24               “(1) *ESTABLISHMENT.*—Subject to the provisions  
 25      of the Federal Credit Reform Act of 1990, there is

1       *hereby created a Mutual Mortgage Insurance Fund*  
2       *(in this title referred to as the ‘Fund’), which shall be*  
3       *used by the Secretary to carry out the provisions of*  
4       *this title with respect to mortgages insured under sec-*  
5       *tion 203. The Secretary may enter into commitments*  
6       *to guarantee, and may guarantee, such insured mort-*  
7       *gages.*

8               “(2) *LIMIT ON LOAN GUARANTEES.*—*The author-*  
9       *ity of the Secretary to enter into commitments to*  
10       *guarantee such insured mortgages shall be effective for*  
11       *any fiscal year only to the extent that the aggregate*  
12       *original principal loan amount under such mort-*  
13       *gages, any part of which is guaranteed, does not ex-*  
14       *ceed the amount specified in appropriations Acts for*  
15       *such fiscal year.*

16               “(3) *FIDUCIARY RESPONSIBILITY.*—*The Sec-*  
17       *retary has a responsibility to ensure that the Mutual*  
18       *Mortgage Insurance Fund remains financially sound.*

19               “(4) *ANNUAL INDEPENDENT ACTUARIAL*  
20       *STUDY.*—*The Secretary shall provide for an inde-*  
21       *pendent actuarial study of the Fund to be conducted*  
22       *annually, which shall analyze the financial position*  
23       *of the Fund. The Secretary shall submit a report an-*  
24       *nually to the Congress describing the results of such*  
25       *study and assessing the financial status of the Fund.*

1     *The report shall recommend adjustments to under-*  
 2     *writing standards, program participation, or pre-*  
 3     *miums, if necessary, to ensure that the Fund remains*  
 4     *financially sound.*

5             “(5) *QUARTERLY REPORTS.—During each fiscal*  
 6     *year, the Secretary shall submit a report to the Con-*  
 7     *gress for each quarter, which shall specify for mort-*  
 8     *gages that are obligations of the Fund—*

9             “(A) *the cumulative volume of loan guar-*  
 10     *antee commitments that have been made during*  
 11     *such fiscal year through the end of the quarter*  
 12     *for which the report is submitted;*

13             “(B) *the types of loans insured, categorized*  
 14     *by risk;*

15             “(C) *any significant changes between actual*  
 16     *and projected claim and prepayment activity;*

17             “(D) *projected versus actual loss rates; and*

18             “(E) *updated projections of the annual sub-*  
 19     *sidy rates to ensure that increases in risk to the*  
 20     *Fund are identified and mitigated by adjust-*  
 21     *ments to underwriting standards, program par-*  
 22     *ticipation, or premiums, and the financial*  
 23     *soundness of the Fund is maintained.*

24     *The first quarterly report under this paragraph shall*  
 25     *be submitted on the last day of the first quarter of fis-*

cal year 2008, or upon the expiration of the 90-day period beginning on the date of the enactment of the *Expanding American Homeownership Act of 2007*, whichever is later.

“(6) *ADJUSTMENT OF PREMIUMS.*—If, pursuant to the independent actuarial study of the Fund required under paragraph (5), the Secretary determines that the Fund is not meeting the operational goals established under paragraph (8) or there is a substantial probability that the Fund will not maintain its established target subsidy rate, the Secretary may either make programmatic adjustments under section 203 as necessary to reduce the risk to the Fund, or make appropriate premium adjustments.

“(7) *OPERATIONAL GOALS.*—The operational goals for the Fund are—

“(A) to charge borrowers under loans that are obligations of the Fund an appropriate premium for the risk that such loans pose to the Fund;

“(B) to minimize the default risk to the Fund and to homeowners;

“(C) to curtail the impact of adverse selection on the Fund; and



1                   “(D) to meet the housing needs of the bor-  
 2                   rowers that the single family mortgage insurance  
 3                   program under this title is designed to serve.”.

4           (b) *OBLIGATIONS OF FUND.*—*The National Housing*  
 5 *Act is amended as follows:*

6                   (1) *HOMEOWNERSHIP VOUCHER PROGRAM MORT-*  
 7 *GAGES.*—*In section 203(v) (12 U.S.C. 1709(v))—*

8                   (A) *by striking “Notwithstanding section*  
 9 *202 of this title, the” and inserting “The”; and*

10                   (B) *by striking “General Insurance Fund”*  
 11 *the first place such term appears and all that*  
 12 *follows and inserting “Mutual Mortgage Insur-*  
 13 *ance Fund.”.*

14                   (2) *HOME EQUITY CONVERSION MORTGAGES.*—  
 15 *Section 255(i)(2)(A) of the National Housing Act (12*  
 16 *U.S.C. 1715z–20(i)(2)(A)) is amended by striking*  
 17 *“General Insurance Fund” and inserting “Mutual*  
 18 *Mortgage Insurance Fund”.*

19           (c) *CONFORMING AMENDMENTS.*—*The National Hous-*  
 20 *ing Act is amended—*

21                   (1) *in section 205 (12 U.S.C. 1711), by striking*  
 22 *subsections (g) and (h); and*

23                   (2) *in section 519(e) (12 U.S.C. 1735c(e)), by*  
 24 *striking “203(b)” and all that follows through*

1       “203(i)” and inserting “203, except as determined by  
2       the Secretary”.

3       **SEC. 17. HAWAIIAN HOME LANDS AND INDIAN RESERVA-**  
4                               **TIONS.**

5       (a) *HAWAIIAN HOME LANDS*.—Section 247(c) of the  
6       *National Housing Act* (12 U.S.C. 1715z–12) is amended—

7               (1) by striking “General Insurance Fund estab-  
8               lished in section 519” and inserting “Mutual Mort-  
9               gage Insurance Fund”; and

10              (2) in the second sentence, by striking “(1) all  
11              references” and all that follows through “and (2)”.

12       (b) *INDIAN RESERVATIONS*.—Section 248(f) of the Na-  
13       *tional Housing Act* (12 U.S.C. 1715z–13) is amended—

14              (1) by striking “General Insurance Fund” the  
15              first place it appears and all that follows through  
16              “519” and inserting “Mutual Mortgage Insurance  
17              Fund”; and

18              (2) in the second sentence, by striking “(1) all  
19              references” and all that follows through “and (2)”.

20       **SEC. 18. CONFORMING AND TECHNICAL AMENDMENTS.**

21       (a) *REPEALS*.—The following provisions of the Na-  
22       *tional Housing Act* are repealed:

23              (1) Subsection (i) of section 203 (12 U.S.C.  
24              1709(i)).

1           (2) *Subsection (o) of section 203 (12 U.S.C.*  
2       *1709(o)).*

3           (3) *Subsection (p) of section 203 (12 U.S.C.*  
4       *1709(p)).*

5           (4) *Subsection (q) of section 203 (12 U.S.C.*  
6       *1709(q)).*

7           (5) *Section 222 (12 U.S.C. 1715m).*

8           (6) *Section 237 (12 U.S.C. 1715z–2).*

9           (7) *Section 245 (12 U.S.C. 1715z–10).*

10       (b) *DEFINITION OF AREA.*—*Section 203(u)(2)(A) of*  
11 *the National Housing Act (12 U.S.C. 1709(u)(2)(A)) is*  
12 *amended by striking “shall” and all that follows and insert-*  
13 *ing “means a metropolitan statistical area as established*  
14 *by the Office of Management and Budget;”.*

15       (c) *DEFINITION OF STATE.*—*Section 201(d) of the Na-*  
16 *tional Housing Act (12 U.S.C. 1707(d)) is amended by*  
17 *striking “the Trust Territory of the Pacific Islands” and*  
18 *inserting “the Commonwealth of the Northern Mariana Is-*  
19 *lands”.*

20       **SEC. 19. HOME EQUITY CONVERSION MORTGAGES.**

21       (a) *IN GENERAL.*—*Section 255 of the National Hous-*  
22 *ing Act (12 U.S.C. 1715z–20) is amended—*

23           (1) *in subsection (b)(2), insert “‘real estate,’”*  
24       *after “‘mortgagor,’”;*

25           (2) *in subsection (g)—*

1                   (A) by striking the first sentence; and

2                   (B) by striking “established under section  
3                   203(b)(2)” and all that follows through “located”  
4                   and inserting “limitation established under sec-  
5                   tion 305(a)(2) of the Federal Home Loan Mort-  
6                   gage Corporation Act for a 1-family residence”;  
7                   (3) in subsection (i)(1)(C), by striking “limita-  
8                   tions” and inserting “limitation”; and

9                   (4) by adding at the end the following new sub-  
10                  section:

11               “(o) *AUTHORITY TO INSURE HOME PURCHASE MORT-*  
12               *GAGE.*—

13               “(1) *IN GENERAL.*—Notwithstanding any other  
14               provision in this section, the Secretary may insure,  
15               upon application by a mortgagee, a home equity con-  
16               version mortgage upon such terms and conditions as  
17               the Secretary may prescribe, when the primary pur-  
18               pose of the home equity conversion mortgage is to en-  
19               able an elderly mortgagor to purchase a 1- to 4-fam-  
20               ily dwelling in which the mortgagor will occupy or  
21               occupies one of the units.

22               “(2) *LIMITATION ON PRINCIPAL OBLIGATION.*—A  
23               home equity conversion mortgage insured pursuant to  
24               paragraph (1) shall involve a principal obligation  
25               that does not exceed the dollar amount limitation de-

1        *terminated under section 305(a)(2) of the Federal Home*  
 2        *Loan Mortgage Corporation Act for a residence of the*  
 3        *applicable size.”.*

4        *(b) MORTGAGES FOR COOPERATIVES.—Subsection (b)*  
 5        *of section 255 of the National Housing Act (12 U.S.C.*  
 6        *1715z–20(b)) is amended—*

7                *(1) in paragraph (4)—*

8                        *(A) by inserting “a first or subordinate*  
 9                        *mortgage or lien” before “on all stock”;*

10                      *(B) by inserting “unit” after “dwelling”;*  
 11                      *and*

12                      *(C) by inserting “a first mortgage or first*  
 13                      *lien” before “on a leasehold”; and*

14                *(2) in paragraph (5), by inserting “a first or*  
 15                *subordinate lien on” before “all stock”.*

16        *(c) LIMITATION ON ORIGINATION FEES.—Section 255*  
 17        *of the National Housing Act (12 U.S.C. 1715z–20), as*  
 18        *amended by the preceding provisions of this section, is fur-*  
 19        *ther amended—*

20                *(1) by redesignating subsections (k), (l), and (m)*  
 21                *as subsections (l), (m), and (n), respectively; and*

22                *(2) by inserting after subsection (j) the following*  
 23                *new subsection:*

24                *“(k) LIMITATION ON ORIGINATION FEES.—The Sec-*  
 25        *retary shall establish limits on the origination fee that may*

1 *be charged to a mortgagor under a mortgage insured under*  
 2 *this section, which limitations shall—*

3           “(1) *equal two percent of the original principal*  
 4       *limit of the mortgage;*

5           “(2) *be subject to a minimum allowable amount;*

6           “(3) *provide that the origination fee may be*  
 7       *fully financed with the mortgage; and*

8           “(4) *include any fees paid to correspondent*  
 9       *mortgagees approved by the Secretary or to mortgage*  
 10      *brokers.”.*

11       (d) *STUDY REGARDING MORTGAGE INSURANCE PRE-*  
 12 *MIUMS.—The Secretary of Housing and Urban Develop-*  
 13 *ment shall conduct a study regarding mortgage insurance*  
 14 *premiums charged under the program under section 255 of*  
 15 *the National Housing Act (12 U.S.C. 1715z–20) for insur-*  
 16 *ance of home equity conversion mortgages to analyze and*  
 17 *determine the effects of reducing the amounts of such pre-*  
 18 *miums from the amounts charged as of the date of the enact-*  
 19 *ment of this Act on (1) costs to mortgagors, and (2) the*  
 20 *financial soundness of the program. Not later than the expi-*  
 21 *ration of the 12-month period beginning on the date of the*  
 22 *enactment of this Act, the Secretary shall submit a report*  
 23 *to the Congress setting forth the results and conclusions of*  
 24 *the study.*

1 **SEC. 20. PARTICIPATION OF MORTGAGE BROKERS AND**  
 2 **CORRESPONDENT LENDERS.**

3 *(a) IN GENERAL.—*

4 *(1) DEFINITIONS.—*

5 *(A) IN GENERAL.—Section 201 of the Na-*  
 6 *tional Housing Act (12 U.S.C. 1707), as amend-*  
 7 *ed by the preceding provisions of this Act, is fur-*  
 8 *ther amended—*

9 *(i) by striking “As used in section 203*  
 10 *of this title—” and inserting “As used in*  
 11 *this title and for purposes of participation*  
 12 *in insurance programs under this title, ex-*  
 13 *cept as specifically provided otherwise, the*  
 14 *following definitions shall apply:”;*

15 *(ii) by striking subsection (b) and in-*  
 16 *serting the following:*

17 *“(2) The term ‘mortgagee’ means any of the fol-*  
 18 *lowing entities, and its successors and assigns, to the*  
 19 *extent such entity is approved by the Secretary:*

20 *“(A) QUALIFICATION BY AUDIT AND NET*  
 21 *WORTH.—A lender, or mortgage broker, or cor-*  
 22 *respondent lender, who—*

23 *“(i) makes, underwrites, and services*  
 24 *mortgages;*

25 *“(ii) submits to the Secretary such fi-*  
 26 *nancial audits performed in accordance*

1           *with the standards for financial audits of*  
2           *the Government Auditing Standards issued*  
3           *by the Comptroller General of the United*  
4           *States;*

5           *“(iii) meet the minimum net worth re-*  
6           *quirement that the Secretary shall establish;*  
7           *and*

8           *“(iv) complies with such other require-*  
9           *ments as the Secretary may establish.*

10          *“(B) QUALIFICATION OF CORRESPONDENT*  
11          *LENDERS BY SURETY BOND.—Except as provided*  
12          *in subparagraph (D), a correspondent lender*  
13          *who—*

14               *“(i) closes a mortgage in its name but*  
15               *does not underwrite or service the mortgage;*

16               *“(ii) posts a surety bond, in lieu of*  
17               *any requirement to provide audited finan-*  
18               *cial statements or meet a minimum net*  
19               *worth requirement, in—*

20                       *“(I) a form satisfactory to the*  
21                       *Secretary; and*

22                       *“(II) an amount of \$75,000, as*  
23                       *such amount is adjusted annually by*  
24                       *the Secretary (as determined under*  
25                       *regulations of the Secretary) by the*



1                   *change for such year in the Consumer*  
 2                   *Price Index for All Urban Consumers*  
 3                   *published monthly by the Bureau of*  
 4                   *Labor Statistics of the Department of*  
 5                   *Labor; and*

6                   “(iii) *complies with such other require-*  
 7                   *ments as the Secretary may establish.*

8                   “(C) *QUALIFICATION OF BROKERS BY SUR-*  
 9                   *ETY BOND.—Except as provided in subpara-*  
 10                  *graph (D), a mortgage broker who—*

11                  “(i) *closes the mortgage in the name of*  
 12                  *the lender and does not make, underwrite,*  
 13                  *or service the mortgage;*

14                  “(ii) *is licensed, under the laws of the*  
 15                  *State in which the property that is subject*  
 16                  *to the mortgage is located, to act as a mort-*  
 17                  *gage broker in such State;*

18                  “(iii) *posts a surety bond in accord-*  
 19                  *ance with the requirements of subparagraph*  
 20                  *(B)(ii); and*

21                  “(iv) *complies with such other require-*  
 22                  *ments as the Secretary may establish.*

23                  “(D) *CONDITIONS FOR CONTINUED APPLICA-*  
 24                  *BILITY.—(i) Subparagraphs (B) and (C) shall*  
 25                  *continue to apply after the expiration of the 5-*

1        *year period beginning on the date of the enact-*  
2        *ment of the Expanding American Homeowner-*  
3        *ship Act of 2007 only if, after the expiration of*  
4        *the 4-year period beginning upon such date of*  
5        *enactment and taking into consideration the re-*  
6        *port submitted in accordance with section 19(b)*  
7        *of such Act, the Secretary—*

8                *“(I) makes a determination that such*  
9                *subparagraphs provide protection to mort-*  
10              *gage insurance funds for mortgages insured*  
11              *under this title that are comparable to the*  
12              *protection provided by the requirements for*  
13              *mortgagees under this title as in effect im-*  
14              *mediately before the enactment of such Act;*  
15              *and*

16              *“(II) publishes in the Federal Register*  
17              *a notice of such determination and an order*  
18              *extending the applicability of such subpara-*  
19              *graphs.*

20              *“(ii) If, taking into consideration such re-*  
21              *port, the Secretary makes a determination after*  
22              *the expiration of such 4-year period that sub-*  
23              *paragraphs (B) and (C) do not provide protec-*  
24              *tion as referred to in clause (i) of this subpara-*  
25              *graph, the Secretary may, by order published in*

1        *the Federal Register, provide for the participa-*  
 2        *tion, after the expiration of the 5-year period re-*  
 3        *ferred to in clause (i), of correspondent lenders*  
 4        *and mortgage brokers as mortgagees in the insur-*  
 5        *ance programs under this title in accordance*  
 6        *with subparagraphs (B) and (C) as modified by*  
 7        *the Secretary as the Secretary considers appro-*  
 8        *priate to provide such protection.*

9                *“(E) ADDITIONAL MORTGAGE BROKER RE-*  
 10              *QUIREMENTS.—*

11              *“(i) In addition to the requirements*  
 12              *under subparagraphs (A) and (C) and to*  
 13              *duties imposed under other statutes or com-*  
 14              *mon law, to be eligible as a mortgagee*  
 15              *under this section, a broker shall—*

16              *“(I) safeguard and account for*  
 17              *any money handled for the borrower;*

18              *“(II) follow reasonable and lawful*  
 19              *instructions from the borrower; and*

20              *“(III) act with reasonable skill,*  
 21              *care, and diligence.*

22              *“(ii) For purposes of this subpara-*  
 23              *graph, a loan correspondent shall be consid-*  
 24              *ered to be a mortgage broker.*

1                   “(iii) *The duties and standards of care*  
 2                   *created in this subparagraph shall not be*  
 3                   *waived or modified.*

4                   “(iv) *Any broker found by the Sec-*  
 5                   *retary to have violated the requirements of*  
 6                   *this subparagraph may not originate mort-*  
 7                   *gage loans insured under this title.*

8                   “(3) *The term ‘mortgagor’ includes the original*  
 9                   *borrower under a mortgage and the successors and as-*  
 10                  *signs of the original borrower.’; and*

11                  *(iii) by redesignating subsections (a),*  
 12                  *(c), (d), (e), (f), (g), and (h) as paragraphs*  
 13                  *(1), (4), (5), (6), (7), (8), and (9), respec-*  
 14                  *tively, and indenting such paragraphs two*  
 15                  *ems so as to align the left margins of such*  
 16                  *paragraphs with the left margins of para-*  
 17                  *graphs (2) and (3) (as added by clause (ii)*  
 18                  *of this subparagraph).*

19                  (B)       MORTGAGEE       REVIEW.—Section  
 20                  202(c)(7) of the National Housing Act (12  
 21                  U.S.C. 1708(c)(7)) is amended—

22                  (i) in subparagraph (A), by inserting  
 23                  “, as defined in section 201,” after “mort-  
 24                  gagee”;

25                  (ii) by striking subparagraph (B); and

1                   (iii) by redesignating subparagraphs  
2                   (C) and (D) as subparagraphs (B) and (C),  
3                   respectively.

4                   (C) *MULTIFAMILY RENTAL HOUSING INSUR-*  
5                   *ANCE.—Section 207(a)(2) of the National Hous-*  
6                   *ing Act (12 U.S.C. 1713(a)(2)) is amended by*  
7                   *striking “means the original lender under a*  
8                   *mortgage, and its successors and assigns, and”*  
9                   *and inserting “has the meaning given such term*  
10                  *in section 201, except that such term also”.*

11                  (D) *WAR HOUSING INSURANCE.—Section*  
12                  *601(b) of the National Housing Act (12 U.S.C.*  
13                  *1736(b)) is amended by striking “includes the*  
14                  *original lender under a mortgage, and his suc-*  
15                  *cessors and assigns approved by the Secretary”*  
16                  *and inserting “has the meaning given such term*  
17                  *in section 201”.*

18                  (E) *ARMED SERVICES HOUSING MORTGAGE*  
19                  *INSURANCE.—Section 801(b) of the National*  
20                  *Housing Act (12 U.S.C. 1748(b)) is amended by*  
21                  *striking “includes the original lender under a*  
22                  *mortgage, and his successors and assigns ap-*  
23                  *proved by the Secretary” and inserting “has the*  
24                  *meaning given such term in section 201”.*

1           (F) *GROUP PRACTICE FACILITIES MORT-*  
 2           *GAGE INSURANCE.*—Section 1106(8) of the Na-  
 3           *tional Housing Act (12 U.S.C. 1749aaa–5(8)) is*  
 4           *amended by striking “means the original lender*  
 5           *under a mortgage, and his or its successors and*  
 6           *assigns, and” and inserting “has the meaning*  
 7           *given such term in section 201, except that such*  
 8           *term also”.*

9           (2) *ELIGIBILITY FOR INSURANCE.*—

10           (A) *TITLE i.*—Paragraph (1) of section 8(b)  
 11           *of the National Housing Act (12 U.S.C.*  
 12           *1706c(b)(1)) is amended—*

13                   (i) *by striking “, and be held by,”; and*

14                   (ii) *by striking “as responsible and*  
 15                   *able to service the mortgage properly”.*

16           (B) *SINGLE FAMILY HOUSING MORTGAGE*  
 17           *INSURANCE.*—Paragraph (1) of section 203(b) of  
 18           *the National Housing Act (12 U.S.C. 1709(b)(1))*  
 19           *is amended—*

20                   (i) *by striking “, and be held by,”; and*

21                   (ii) *by striking “as responsible and*  
 22                   *able to service the mortgage properly”.*

23           (C) *SECTION 221 MORTGAGE INSURANCE.*—  
 24           *Paragraph (1) of section 221(d) of the National*

*Housing Act (12 U.S.C. 1715l(d)(1)) is amended—*

*(i) by striking “and be held by”; and*

*(ii) by striking “as responsible and able to service the mortgage properly”.*

*(D) HOME EQUITY CONVERSION MORTGAGE INSURANCE.—Paragraph (1) of section 255(d) of the National Housing Act (12 U.S.C. 1715z–20(d)(1)) is amended by striking “as responsible and able to service the mortgage properly”.*

*(E) WAR HOUSING MORTGAGE INSURANCE.—Paragraph (1) of section 603(b) of the National Housing Act (12 U.S.C. 1738(b)(1)) is amended—*

*(i) by striking “, and be held by,”; and*

*(ii) by striking “as responsible and able to service the mortgage properly”.*

*(F) WAR HOUSING MORTGAGE INSURANCE FOR LARGE-SCALE HOUSING PROJECTS.—Paragraph (1) of section 611(b) of the National Housing Act (12 U.S.C. 1746(b)(1)) is amended—*

*(i) by striking “and be held by”; and*

*(ii) by striking “as responsible and able to service the mortgage properly”.*

1                   (G) *GROUP PRACTICE FACILITY MORTGAGE*  
 2                   *INSURANCE.—Section 1101(b)(2) of the National*  
 3                   *Housing Act (12 U.S.C. 1749aaa(b)(2)) is*  
 4                   *amended—*

5                               (i) *by striking “and held by”; and*

6                               (ii) *by striking “as responsible and*  
 7                               *able to service the mortgage properly”.*

8                   (H) *NATIONAL DEFENSE HOUSING INSUR-*  
 9                   *ANCE.—Paragraph (1) of section 903(b) of the*  
 10                   *National Housing Act (12 U.S.C. 1750b(b)(1)) is*  
 11                   *amended—*

12                              (i) *by striking “, and be held by,”; and*

13                              (ii) *by striking “as responsible and*  
 14                              *able to service the mortgage properly”.*

15                   (I) *CONTINGENT REPEAL.—Unless there is*  
 16                   *published in the Federal Register, before the ex-*  
 17                   *piration of the 5-year period beginning on the*  
 18                   *date of the enactment of this Act, an order under*  
 19                   *clause (i) or (ii) of section 201(2)(D) of the Na-*  
 20                   *tional Housing Act (12 U.S.C. 1707(2)(D)), as*  
 21                   *added by paragraph (1)(A)(2) of this subsection,*  
 22                   *upon the expiration of such period the provisions*  
 23                   *of such Act amended by this paragraph are*  
 24                   *amended to read as such provisions would be in*  
 25                   *effect upon such expiration if this Act had not*



1        *been enacted (taking into consideration any*  
2        *amendments, after such date of enactment, to*  
3        *such provisions other than under this Act).*

4        *(b) GAO STUDY AND REPORT.—*

5            *(1) STUDY.—The Comptroller General of the*  
6        *United States shall conduct a study, upon the expira-*  
7        *tion of the 42-month period beginning on the date of*  
8        *the enactment of this Act, regarding the effect of the*  
9        *amendments made by subsection (a), which shall ana-*  
10       *lyze and determine—*

11            *(A) the extent to which such amendments*  
12        *have resulted in increased participation, by*  
13        *mortgage brokers and correspondent lenders, in*  
14        *the mortgage insurance programs under the Na-*  
15        *tional Housing Act, as measured by the number*  
16        *and amounts of such insured mortgages,*  
17        *disaggregated by the States in which the prop-*  
18        *erties subject to such mortgages are located;*

19            *(B) with respect to mortgages insured under*  
20        *such Act, a comparison in the numbers and rate*  
21        *of defaults, foreclosures, and mortgage insurance*  
22        *claims on such mortgages originated by mortgage*  
23        *brokers and correspondent lenders authorized to*  
24        *participate in the programs under such Act pur-*  
25        *suant to the amendments made by subsection (a)*

1           to such numbers and rates on such mortgages  
 2           originated by lenders who would be authorized to  
 3           participate in such programs notwithstanding  
 4           such amendments;

5           (C) any impact of such amendments on the  
 6           costs to the Secretary of Housing and Urban De-  
 7           velopment of administering the mortgage insur-  
 8           ance programs under such title; and

9           (D) the extent and effectiveness of the super-  
 10          vision and enforcement, by the Secretary, of the  
 11          additional authority provided under the amend-  
 12          ments made by subsection (a).

13          (2) *REPORT*.—Not later than the expiration of 4-  
 14          year period beginning on the date of the enactment of  
 15          this Act, the Comptroller General shall submit a re-  
 16          port to the Congress and the Secretary of Housing  
 17          and Urban Development setting forth the results and  
 18          conclusions of the study conducted pursuant to para-  
 19          graph (1).

20   **SEC. 21. CONFORMING LOAN LIMIT IN DISASTER AREAS.**

21          Section 203(h) of the National Housing Act (12 U.S.C.  
 22   1709) is amended—

23          (1) by inserting after “property” the following:  
 24          “plus any initial service charges, appraisal, inspec-

1        *tion and other fees in connection with the mortgage*  
2        *as approved by the Secretary,”;*

3            *(2) by striking the second sentence (as added by*  
4        *chapter 7 of the Emergency Supplemental Appropria-*  
5        *tions Act of 1994 (Public Law 103–211; 108 Stat.*  
6        *12)); and*

7            *(3) by adding at the end the following new sen-*  
8        *tence: “In any case in which the single family resi-*  
9        *dence to be insured under this subsection is within a*  
10       *jurisdiction in which the President has declared a*  
11       *major disaster to have occurred, the Secretary is au-*  
12       *thorized, for a temporary period not to exceed 36*  
13       *months from the date of such Presidential declaration,*  
14       *to enter into agreements to insure a mortgage which*  
15       *involves a principal obligation of up to 100 percent*  
16       *of the dollar limitation determined under section*  
17       *305(a)(2) of the Federal Home Loan Mortgage Cor-*  
18       *poration Act for a single family residence, and not in*  
19       *excess of 100 percent of the appraised value of the*  
20       *property plus any initial service charges, appraisal,*  
21       *inspection and other fees in connection with the mort-*  
22       *gage as approved by the Secretary.”.*

1 **SEC. 22. FAILURE TO PAY AMOUNTS FROM ESCROW AC-**  
2 **COUNTS FOR SINGLE FAMILY MORTGAGES.**

3 (a) *PENALTIES.*—Section 536 of the National Housing  
4 Act (12 U.S.C. 1735f–14) is amended—

5 (1) in subsection (a)(1), by inserting “servicers  
6 (including escrow account servicers),” after “apprais-  
7 ers,”;

8 (2) in subsection (b)(1)—

9 (A) in the matter preceding subparagraph  
10 (A), by inserting “or other participant referred  
11 to in subsection (a),” after “lender,” ; and

12 (B) by inserting at the end the following  
13 new subparagraphs:

14 “(K) In the case of a mortgage for a 1- to  
15 4-family residence insured under title II that re-  
16 quires the mortgagor to make payments to the  
17 mortgagee or other servicer of the mortgage for  
18 deposit into an escrow account for the purpose of  
19 assuring payment of taxes, insurance premiums,  
20 and other charges with respect to the property,  
21 failure on the part of the servicer to make any  
22 such payment from the escrow account by the  
23 deadline to avoid a penalty with respect to such  
24 payment provided for in the mortgage, unless the  
25 servicer was not provided notice of such deadline.

1           “(L) *In the case of any failure to make any*  
 2           *payment as described in subparagraph (K), sub-*  
 3           *mitting any information to a consumer report-*  
 4           *ing agency (as such term is defined in section*  
 5           *603(f) of the Fair Credit Reporting Act (15*  
 6           *U.S.C. 1681a(f))) regarding such failure that is*  
 7           *adverse to the credit rating or interest of the*  
 8           *mortgagor.”; and*

9           (3) *in subsection (c)(3), by adding at the end the*  
 10          *following: “In the case of any failure to make a pay-*  
 11          *ment described in subsection (b)(1)(K) for which the*  
 12          *servicer fails to reimburse the mortgagor (A) before*  
 13          *the expiration of the 60-day period beginning on the*  
 14          *deadline to avoid a penalty with respect to such pay-*  
 15          *ment, in the sum of the amount not paid from the es-*  
 16          *crow account by such deadline and the amount of any*  
 17          *penalties accruing to the mortgagor that are attrib-*  
 18          *utable to such failure, or (B) in the amount of any*  
 19          *attorneys fees incurred by the mortgagor and attrib-*  
 20          *utable to such failure, the Secretary shall increase the*  
 21          *amount of the penalty under subsection (a) for any*  
 22          *such failure to reimburse, unless the Secretary deter-*  
 23          *mines there are mitigating circumstances.”.*

24          (b) *PROHIBITION ON SUBMISSION OF INFORMATION BY*  
 25          *HUD.—Title II of the National Housing Act (12 U.S.C.*

1 1707 *et seq.*) is amended by adding at the end the following  
 2 new section:

3 **“SEC. 257. PROHIBITION REGARDING FAILURE ON PART OF**  
 4 **SERVICER TO MAKE ESCROW PAYMENTS.**

5 “In the case of any failure to make any payment as  
 6 described in section 536(b)(1)(K), the Secretary may not  
 7 submit any information to a consumer reporting agency (as  
 8 such term is defined in section 603(f) of the Fair Credit  
 9 Reporting Act (15 U.S.C. 1681a(f))) regarding such failure  
 10 that is adverse to the credit rating or interest of the mort-  
 11 gator.”.

12 **SEC. 23. ACCEPTABLE IDENTIFICATION FOR FHA MORTGA-**  
 13 **GORS.**

14 (a) *IN GENERAL.*—Title II of the National Housing  
 15 Act is amended by inserting after section 209 (12 U.S.C.  
 16 1715) the following new section:

17 **“SEC. 210. FORMS OF ACCEPTABLE IDENTIFICATION.**

18 “The Secretary may not insure a mortgage under any  
 19 provision of this title unless the mortgagor under the mort-  
 20 gage provides personal identification in one of the following  
 21 forms:

22 “(1) *SOCIAL SECURITY CARD WITH PHOTO IDEN-*  
 23 *TIFICATION CARD OR REAL ID ACT IDENTIFICATION.*—

1           “(A) *A social security card accompanied by*  
 2           *a photo identification card issued by the Federal*  
 3           *Government or a State Government; or*

4           “(B) *A driver’s license or identification*  
 5           *card issued by a State in the case of a State that*  
 6           *is in compliance with title II of the REAL ID*  
 7           *Act of 2005 (title II of division B of Public Law*  
 8           *109-13; 49 U.S.C. 30301 note).*

9           “(2) *PASSPORT.—A passport issued by the*  
 10          *United States or a foreign government.*

11          “(3) *USCIS PHOTO IDENTIFICATION CARD.—A*  
 12          *photo identification card issued by the Secretary of*  
 13          *Homeland Security (acting through the Director of*  
 14          *the United States Citizenship and Immigration Serv-*  
 15          *ices).”.*

16          “(b) *EFFECTIVE DATE.—The requirements of section*  
 17          *210 of the National Housing Act (as added by subsection*  
 18          *(a) of this section) shall take effect six months after the date*  
 19          *of the enactment of this Act.*

20          **SEC. 24. PILOT PROGRAM FOR AUTOMATED PROCESS FOR**  
 21                               **BORROWERS WITHOUT SUFFICIENT CREDIT**  
 22                               **HISTORY.**

23          “(a) *ESTABLISHMENT.—Title II of the National Hous-*  
 24          *ing Act (12 U.S.C. 1707 et seq.), as amended by the pre-*

1 *ceding provisions of this Act, is further amended by adding*  
 2 *at the end the following new section:*

3 **“SEC. 258. PILOT PROGRAM FOR AUTOMATED PROCESS FOR**  
 4 **BORROWERS WITHOUT SUFFICIENT CREDIT**  
 5 **HISTORY.**

6 *“(a) ESTABLISHMENT.—The Secretary shall carry out*  
 7 *a pilot program to establish, and make available to mortga-*  
 8 *gees, an automated process for providing alternative credit*  
 9 *rating information for mortgagors and prospective mortga-*  
 10 *gors under mortgages on 1- to 4-family residences to be in-*  
 11 *sured under this title who have insufficient credit histories*  
 12 *for determining their creditworthiness. Such alternative*  
 13 *credit rating information may include rent, utilities, and*  
 14 *insurance payment histories, and such other information*  
 15 *as the Secretary considers appropriate.*

16 *“(b) SCOPE.—The Secretary may carry out the pilot*  
 17 *program under this section on a limited basis or scope, and*  
 18 *may consider limiting the program—*

19 *“(1) to first-time homebuyers; or*

20 *“(2) metropolitan statistical areas significantly*  
 21 *impacted by subprime lending.*

22 *“(c) LIMITATION.—In any fiscal year, the aggregate*  
 23 *number of mortgages insured pursuant to the automated*  
 24 *process established under this section may not exceed 5 per-*  
 25 *cent of the aggregate number of mortgages for 1- to 4-family*



1 residences insured by the Secretary under this title during  
 2 the preceding fiscal year.

3 “(d) *SUNSET*.—After the expiration of the 5-year pe-  
 4 riod beginning on the date of the enactment of the *Expand-*  
 5 *ing American Homeownership Act of 2007*, the Secretary  
 6 may not enter into any new commitment to insure any  
 7 mortgage, or newly insure any mortgage, pursuant to the  
 8 automated process established under this section.”.

9 (b) *GAO REPORT*.—Not later than the expiration of  
 10 the two-year period beginning on the date of the enactment  
 11 of this Act, the Comptroller General of the United States  
 12 shall submit to the Congress a report identifying the num-  
 13 ber of additional mortgagors served using the automated  
 14 process established pursuant to section 258 of the *National*  
 15 *Housing Act* (as added by the amendment made by sub-  
 16 section (a) of this section) and the impact of such process  
 17 and the insurance of mortgages pursuant to such process  
 18 on the safety and soundness of the insurance funds under  
 19 the *National Housing Act* of which such mortgages are obli-  
 20 gations.

21 **SEC. 25. SENSE OF CONGRESS REGARDING TECHNOLOGY**  
 22 **FOR FINANCIAL SYSTEMS.**

23 (a) *CONGRESSIONAL FINDINGS*.—The Congress finds  
 24 the following:

1           (1) *The Government Accountability Office has*  
2           *cited the FHA single family housing mortgage insur-*  
3           *ance program as a “high-risk” program, with a pri-*  
4           *mary reason being non-integrated and out-dated fi-*  
5           *nancial management systems.*

6           (2) *The “Audit of the Federal Housing Adminis-*  
7           *tration’s Financial Statements for Fiscal Years 2004*  
8           *and 2003”, conducted by the Inspector General of the*  
9           *Department of Housing and Urban Development re-*  
10          *ported as a material weakness that “HUD/FHA’s*  
11          *automated data processing [ADP] system environ-*  
12          *ment must be enhanced to more effectively support*  
13          *FHA’s business and budget processes”.*

14          (3) *Existing technology systems for the FHA*  
15          *program have not been updated to meet the latest*  
16          *standards of the Mortgage Industry Standards Main-*  
17          *tenance Organization and have numerous deficiencies*  
18          *that lenders have outlined.*

19          (4) *Improvements to technology used in the FHA*  
20          *program will—*

21                 (A) *allow the FHA program to improve the*  
22                 *management of the FHA portfolio, garner great-*  
23                 *er efficiencies in its operations, and lower costs*  
24                 *across the program;*

1           (B) result in efficiencies and lower costs for  
2           lenders participating in the program, allowing  
3           them to better use the FHA products in extend-  
4           ing homeownership opportunities to higher credit  
5           risk or lower-income families, in a sound man-  
6           ner.

7           (5) The Mutual Mortgage Insurance Fund oper-  
8           ates without cost to the taxpayers and generates reve-  
9           nues for the Federal Government.

10          (b) SENSE OF CONGRESS.—It is the sense of the Con-  
11       gress that—

12               (1) the Secretary of Housing and Urban Devel-  
13               opment should use a portion of the funds received  
14               from premiums paid for FHA single family housing  
15               mortgage insurance that are in excess of the amounts  
16               paid out in claims to substantially increase the fund-  
17               ing for technology used in such FHA program;

18               (2) the goal of this investment should be to bring  
19               the technology used in such FHA program to the level  
20               and sophistication of the technology used in the con-  
21               ventional mortgage lending market, or to exceed such  
22               level; and

23               (3) the Secretary of Housing and Urban Devel-  
24               opment should report to the Congress not later than  
25               180 days after the date of the enactment of this Act

1        *regarding the progress the Department is making to-*  
 2        *ward such goal and if progress is not sufficient, the*  
 3        *resources needed to make greater progress.*

4    **SEC. 26. MULTIFAMILY HOUSING MORTGAGE LIMITS IN**  
 5        **HIGH COST AREAS.**

6        *The National Housing Act is amended—*

7            (1)    *in sections 207(c)(3), 213(b)(2)(B)(i),*  
 8            *221(d)(3)(ii)(II), 221(d)(4)(ii)(II), 231(c)(2)(B), and*  
 9            *234(e)(3)(B) (12 U.S.C. 1713(c)(3), 1715e(b)(2)(B)(i),*  
 10           *1715l(d)(3)(ii)(II), 1715l(d)(4)(ii)(II),*  
 11           *1715v(c)(2)(B), and 1715y(e)(3)(B))—*

12                    (A) *by striking “140 percent” each place*  
 13                    *such term appears and inserting “170 percent”;*  
 14                    *and*

15                    (B) *by striking “170 percent in high cost*  
 16                    *areas” each place such term appears and insert-*  
 17                    *ing “215 percent in high cost areas”; and*

18            (2)    *in section 220(d)(3)(B)(iii)(III) (12 U.S.C.*  
 19            *1715k(d)(3)(B)(iii)(III)) by striking “206A” and all*  
 20            *that follows through “project-by-project basis” and in-*  
 21            *serting the following: “206A of this Act) by not to ex-*  
 22            *ceed 170 percent in any geographical area where the*  
 23            *Secretary finds that cost levels so require and by not*  
 24            *to exceed 170 percent, or 215 percent in high cost*

1        *areas, where the Secretary determines it necessary on*  
2        *a project-by-project basis”.*

3    **SEC. 27. VALUATION OF MULTIFAMILY PROPERTIES IN**  
4                    **NONCOMPETITIVE SALES BY HUD TO STATES**  
5                    **AND LOCALITIES.**

6        *Subtitle A of title II of the Deficit Reduction Act of*  
7        *2005 (Public Law 109–171; 120 Stat. 7) is amended by*  
8        *adding at the end the following new section:*

9    **“SEC. 2004. VALUATION OF MULTIFAMILY PROPERTIES IN**  
10                    **NONCOMPETITIVE SALES BY HUD TO STATES**  
11                    **AND LOCALITIES.**

12        *“Notwithstanding any other provision of law and with*  
13        *respect to any fiscal year, in determining the market value*  
14        *of any multifamily real property or multifamily loan for*  
15        *any noncompetitive sale to a State or local government enti-*  
16        *ty, the Secretary shall consider, but not be limited to, indus-*  
17        *try standard appraisal practices, including the cost of re-*  
18        *pairs needed to bring the property at least to minimum*  
19        *State and local code standards and of maintaining the ex-*  
20        *isting affordability restrictions imposed by the Secretary on*  
21        *the multifamily real property or multifamily loan.”.*

22    **SEC. 28. CLARIFICATION OF DISPOSITION OF CERTAIN**  
23                    **PROPERTIES.**

24        *Notwithstanding any other provision of law, subtitle*  
25        *A of title II of the Deficit Reduction Act of 2005 (12 U.S.C.*

1 1701z–11 note) and the amendments made by such title  
 2 shall not apply to any transaction regarding a multifamily  
 3 real property for which—

4 (1) the Secretary of Housing and Urban Devel-  
 5 opment has received, before the date of the enactment  
 6 of such Act, written expressions of interest in pur-  
 7 chasing the property from both a city government and  
 8 the housing commission of such city;

9 (2) after such receipt, the Secretary acquires title  
 10 to the property at a foreclosure sale; and

11 (3) such city government and housing commis-  
 12 sion have resolved a previous disagreement with re-  
 13 spect to the disposition of the property.

14 **SEC. 29. USE OF FHA SAVINGS FOR COSTS OF MORTGAGE**  
 15 **INSURANCE, HOUSING COUNSELING, FHA**  
 16 **TECHNOLOGIES, PROCEDURES, AND PROC-**  
 17 **ESSES, AND FOR AFFORDABLE HOUSING**  
 18 **GRANT FUND, AND STUDY.**

19 (a) *IN GENERAL.*—Subject to subsection (c), there is  
 20 authorized to be appropriated for each fiscal year an  
 21 amount equal to the net increase for such fiscal year in,  
 22 except as provided in subsection (b), the negative credit sub-  
 23 sidy for the mortgage insurance programs under title II of  
 24 the National Housing Act resulting from this Act and the

1 *amendments made by this Act, for the following purposes*  
2 *in the following amounts:*

3           (1) *SINGLE FAMILY HOUSING MORTGAGE INSUR-*  
4 *ANCE.—For each fiscal year, for costs (as such term*  
5 *is defined in section 502 of the Federal Credit Reform*  
6 *Act of 1990 (2 U.S.C. 661a)) of mortgage insurance*  
7 *provided pursuant to section 203(b) of the National*  
8 *Housing Act (12 U.S.C. 1709(b)), the additional*  
9 *amount (not including any costs of such mortgage in-*  
10 *surance resulting from this Act or the amendments*  
11 *made by this Act), if any, necessary to ensure that the*  
12 *credit subsidy cost of such mortgage insurance for*  
13 *such fiscal year is \$0.*

14           (2) *HOUSING COUNSELING.—For each of fiscal*  
15 *years 2008 through 2012, the amount needed to in-*  
16 *crease funding, for the housing counseling program*  
17 *under section 106 of the Housing and Urban Develop-*  
18 *ment Act of 1968 (12 U.S.C. 1701x), in connection*  
19 *with homebuyers and homeowners with mortgages in-*  
20 *sured under title II of the National Housing Act,*  
21 *from the amount appropriated for the preceding fiscal*  
22 *year to \$100,000,000.*

23           (3) *MORTGAGE INSURANCE TECHNOLOGY, PROCE-*  
24 *DURES, PROCESSES, PROGRAM PERFORMANCE, AND*  
25 *SALARIES.—For each of fiscal years 2008 through*

1       2012, \$25,000,000 for increasing funding for the pur-  
2       pose of improving technology, procedures, processes,  
3       and program performance, and salaries in connection  
4       with the mortgage insurance programs under title II  
5       of the National Housing Act.

6               (4) *AFFORDABLE HOUSING FUND.*—For each fis-  
7       cal year, for an affordable housing fund available for  
8       use only for grants to provide affordable rental hous-  
9       ing and affordable homeownership opportunities for  
10      low-income families, the amount remaining under  
11      this section after amounts are made available for such  
12      fiscal year in accordance with paragraphs (1), (2),  
13      and (3).

14           (b) *EXCLUSION OF EARNINGS FROM THE SINGLE FAM-*  
15      *ILY MORTGAGE INSURANCE PROGRAM.*—With respect to a  
16      fiscal year, the negative credit subsidy determined under  
17      subsection (a) shall not include the negative credit subsidy  
18      cost for such fiscal year, if any, for mortgage insurance pro-  
19      vided pursuant to section 203(b) of the National Housing  
20      Act.

21           (c) *CERTIFICATION.*—Subsection (a) shall not be effec-  
22      tive for a fiscal year unless the Secretary of Housing and  
23      Urban Development has, by rule making in accordance with  
24      section 553 of title 5, United States Code (notwithstanding  
25      subsections (a)(2), (b)(B), and (d)(3) of such section), made



1 a determination that premiums being, or to be, charged  
2 during such fiscal year for mortgage insurance under title  
3 II of the National Housing Act are established at the min-  
4 imum amount sufficient to comply with the requirements  
5 of section 205(f) of such Act (relating to required capital  
6 ratio for the Mutual Mortgage Insurance Fund) and ensure  
7 the safety and soundness of the other mortgage insurance  
8 funds under such Act, and any negative credit subsidy for  
9 such fiscal year resulting from such mortgage insurance  
10 programs adequately ensures the efficient delivery and  
11 availability of such programs.

12 (d) *STUDY AND REPORT.*—The Secretary of Housing  
13 and Urban Development shall conduct a study to obtain  
14 recommendations from participants in the private residen-  
15 tial mortgage lending business and the secondary market  
16 for such mortgages on how best to update and upgrade pro-  
17 cedures, processes, and technologies for the mortgage insur-  
18 ance programs under title II of the National Housing Act  
19 so that the policies and procedures for originating, insur-  
20 ing, and servicing of such mortgages conform with those  
21 customarily used by secondary market purchasers of resi-  
22 dential mortgage loans. Not later than the expiration of the  
23 12-month period beginning on the date of the enactment of  
24 this Act, the Secretary shall submit a report to the Congress  
25 describing the progress made and to be made toward updat-

1 *ing and upgrading such procedures, processes, and tech-*  
 2 *nology, and providing appropriate staffing for such mort-*  
 3 *gage insurance programs.*

4 ***SEC. 30. LIMITATION ON MORTGAGE INSURANCE PREMIUM***  
 5 ***INCREASES.***

6 *Notwithstanding any other provision of law, including*  
 7 *any provision of this Act and any amendment made by*  
 8 *this Act—*

9 *(1) the premiums charged for mortgage insur-*  
 10 *ance under any program under the National Housing*  
 11 *Act may not be increased above the premium amounts*  
 12 *in effect under such program on October 1, 2006, un-*  
 13 *less the Secretary of Housing and Urban Development*  
 14 *determines that, absent such increase, insurance of*  
 15 *additional mortgages under such program would,*  
 16 *under the Federal Credit Reform Act of 1990, require*  
 17 *the appropriation of new budget authority to cover*  
 18 *the costs (as such term is defined in section 502 of the*  
 19 *Federal Credit Reform Act of 1990 (2 U.S.C. 661a)*  
 20 *of such insurance; and*

21 *(2) a premium increase pursuant to paragraph*  
 22 *(1) may be made only by rule making in accordance*  
 23 *with the procedures under section 553 of title 5,*  
 24 *United States Code (notwithstanding subsections*  
 25 *(a)(2), (b)(B), and (d)(3) of such section).*

1 **SEC. 31. SAVINGS PROVISION.**

2       *Any mortgage insured under title II of the National*  
3 *Housing Act before the date of enactment of this title shall*  
4 *continue to be governed by the laws, regulations, orders, and*  
5 *terms and conditions to which it was subject on the day*  
6 *before the date of the enactment of this Act.*

7 **SEC. 32. IMPLEMENTATION.**

8       *Except as provided in section 23(b), the Secretary of*  
9 *Housing and Urban Development shall by notice establish*  
10 *any additional requirements that may be necessary to im-*  
11 *mediately carry out the provisions of this Act. The notice*  
12 *shall take effect upon issuance.*

Union Calendar No. 133

110TH CONGRESS  
1ST Session

H. R. 1852

[Report No. 110-217]

A BILL

To modernize and update the National Housing Act and enable the Federal Housing Administration to use risk-based pricing to more effectively reach underserved borrowers, and for other purposes.

JUNE 28, 2007

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed